

HANS A. von SPAKOVSKY
6520 Burdett Drive
Atlanta, Georgia 30328
Work (770) 859-3037
Home (404) 851-9678
Facsimile (770) 859-4703

Written testimony submitted to the U.S. House of Representatives,
Committee on Commerce, Subcommittee on Energy, at its hearing in
Atlanta, Georgia, on April 14, 1997, on Electric Utility Industry
Restructuring

April 15,

1997

I am appearing before the Subcommittee as a homeowner and end-of-the line utility customer. I am not a lobbyist and do not work for the utility industry. I have been active in homeowners issues for several years. I am currently the President of the Underwood Hills/Long Island Estates Homeowners' Association which represents a neighborhood of about 300 homes in Sandy Springs, Georgia, an unincorporated suburb north of Atlanta with a population of over 70,000 people. I am also the President of the Sandy Springs Civic Roundtable. Our 150 members consist of homeowners associations, businesses, and charitable associations in Sandy Springs.

I am speaking on my own behalf and not that of the organizations I represent, although I believe that the majority of homeowners and small business owners that I know would agree with me.

Deregulation of the electric utility industry should result in

Page 2

April 15, 1997

competition and, therefore, lower prices for consumers such as myself. The breakup of AT&T's monopoly on telephone service has resulted in lower telephone rates for consumers. As companies such as MCI and Sprint entered the market, fierce rate wars occurred which benefited all consumers. I do not particularly enjoy receiving unsolicited telephone calls from long distance carriers when I am sitting down to dinner with my family; however, I do appreciate that these companies are competing for my business and the results are lower prices and better service.

Cellular phone service used to be something that only the rich could afford; today, everyone in Atlanta seems to have a cellular phone. This is only because cellular companies are competing with each other to attract members of the middle class such as myself as a customer with lower prices and quality service. The deregulation of the airline, trucking, and gas industry resulted in lower prices for consumers. Monopolies by their very nature lead to higher prices than a normal, competitive market would bear.

After the monthly mortgage bill, utility costs are one of the largest fixed costs most consumers pay. This is particularly true in the long summer months in the South when electric bills go up substantially to meet the air conditioning needs of consumers. This is not a cost that consumers can reduce as easily as they can other living expenses by just doing without or with less. Consumers also indirectly pay the cost of high utility rates when they shop for groceries and other consumer goods since utility costs are a large fixed expense for retail and commercial

Page 3

April 15, 1997

establishments. The residents of Fulton County, which encompasses metropolitan Atlanta and Sandy Springs, just voted in a one cent sales tax increase to provide hundreds of millions of dollars for new public school construction; reducing electrical rates would also provide substantial savings to the schools. As happened in the telephone, airline, gas, and trucking industry, deregulation and competition could lead to lower costs for consumers both directly and indirectly.

However, I would caution the Committee that deregulation needs to be done in such a way that it does not hurt the individual residential consumer. Manufacturers, industrial users and commercial retailers are very large users of electrical power. As such, they will have much greater negotiating power than individual residential consumers. The worst result would be if large commercial users negotiate lower utility rates and higher costs are passed on to residential consumers by the utility providers to recover from these lower rates. Deregulation must be accomplished in such a manner that residential consumers are not harmed by their weaker negotiating power and lack of sophistication in this area.

In addition, Georgia residential consumers do not want to see their utility rates rise to match the rates in other regions of the country as those regions buy power from our local providers. Such an equilibrium process would damage homeowners. Georgia consumers enjoy utility rates that are several cents cheaper per kilowatt hour than consumers in the Northeast and California. Deregulation should result in consumers in the Northeast and California enjoying

Page 4

April 15, 1997

lower rates and consumers in the South and other areas of the country maintaining their low rates or enjoying even lower rates.

Deregulation must maintain the high quality of the service we receive from our power providers. A constant, consistent supply of electrical power is not just important for the quality of life citizens enjoy; for consumers with medical problems and home care it is an essential of life. Several years ago we had the worst snow storm in Atlanta in 100 years; power was out all over the region for days in extremely cold weather. I would be the first to compliment my provider, Georgia Power, for the work its crews did in restoring power in our neighborhood. Deregulation must result in the quality of service remaining the same or improving, and the ability of power providers to restore power after major storms and continuing to supply power during peak usage not diminishing. This clearly can be accomplished; my long distance telephone service today is better than it was when such service was controlled by one company.

I am also not a big believer in federal mandates, given the past 45 years of Congressional burdens increasingly being placed on the states, often without any accompanying federal funding. However, there is a need for deregulation to proceed across the United States at an even tempo to prevent disparities that would result in higher prices for consumers when one state deregulates and another does not. Nonetheless, our Georgia Public Service Commission has the most knowledge of problems specific to this state and it should have the leading role in deregulation efforts

Page 5

April 15, 1997

within Georgia. The federal government should give the states a timetable with a deadline for deregulation and the broad outlines of a deregulation policy that will achieve the goals I have outlined, but without specific mandates. The recent reform of welfare by Congress was accomplished in this manner and is the best example of how this statutory process should work.

I believe that deregulation, if done correctly, will lead to increased competition and lower prices and better services for residential consumers, as well as industrial and commercial users.

The past 20 years of industry deregulation in the U.S. supports these conclusions. In Europe where such monopolies are still very prevalent, prices are not only much higher than here but service is significantly worse.

Respectfully submitted,

Hans A.

von Spakovsky

SUMMARY OF TESTIMONY OF

HANS A. von SPAKOVSKY

1. Deregulation of the electric utility industry should result in competition and, therefore, lower prices for residential consumers as well as retail and commercial establishments. Utility costs are a large fixed expense for residential consumers.

2. The deregulation of the telephone, trucking, gas, and airline industry have reduced prices for consumers both directly and indirectly.

3. Deregulation needs to be accomplished in a manner which does not hurt the residential consumer. Power providers must not be able to charge residential consumers higher utility rates to recover from lower utility rates which they may negotiate with large commercial users.

4. Additionally, deregulation should not result in a general equilibrium process in which the lower rates being paid by Georgia consumers rise to match the higher rates prevalent in the Northeast and California.

5. Congress should provide the states a timetable with a deadline for deregulation and the broad outlines of policy, but without specific mandates. The Georgia Public Service Commission should have the leading role in deregulation efforts within the state.²